

MONTANA LEGISLATIVE HISTORY

Chapter 40 19 87

Bill H 99 S _____ Original bill & history ☒ c

H. Committee on Local Government

Hearing Date(s) Jan 16 ☒ c

Jan 21 ☒ c

_____ ☐ c

_____ ☐ c

Date Out Jan 21 ☒ c

S. Committee on Local Government

Hearing Date(s) Feb 05 ☒ c

_____ ☐ c

_____ ☐ c

_____ ☐ c

Feb 05 ☒ c

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

HOUSE FINAL STATUS

1/19	2ND READING PASSED AS AMENDED	94	4
1/20	3RD READING PASSED	93	3
	TRANSMITTED TO SENATE		
1/22	REFERRED TO JUDICIARY		
2/10	HEARING		
3/07	ADVERSE COMMITTEE REPORT ADOPTED	47	0

HB 96 INTRODUCED BY PATTERSON, ET AL.
EXEMPT FROM TAXATION CERTAIN TOOLS, IMPLEMENTS AND
MACHINERY USUALLY HAND-HELD

1/07	INTRODUCED		
1/07	REFERRED TO TAXATION		
1/08	FISCAL NOTE REQUESTED		
1/12	FISCAL NOTE RECEIVED		
1/27	HEARING		
3/17	TABLED IN COMMITTEE		

HB 97 INTRODUCED BY ASAY, ET AL.
AUTHORIZING COAL BOARD LOANS FOR PUBLIC WORKS
PROJECTS STATEWIDE

1/07	INTRODUCED		
1/07	REFERRED TO TAXATION		
1/14	HEARING		
2/13	TABLED IN COMMITTEE		

HB 98 INTRODUCED BY MANUEL
ALLOWING A FARM MUTUAL TO INSURE LIABILITY RISKS

1/07	INTRODUCED		
1/07	REFERRED TO BUSINESS & LABOR		
1/12	HEARING		
1/15	COMMITTEE REPORT--BILL PASSED AS AMENDED		
1/17	2ND READING PASSED	96	0
1/19	3RD READING PASSED	100	0

	TRANSMITTED TO SENATE		
1/21	REFERRED TO BUSINESS & INDUSTRY		
1/30	HEARING		
2/07	COMMITTEE REPORT--BILL CONCURRED		
2/11	2ND READING CONCURRED	47	1
2/13	3RD READING CONCURRED	44	6

	RETURNED TO HOUSE		
2/18	SIGNED BY SPEAKER		
2/18	SIGNED BY PRESIDENT		
2/18	TRANSMITTED TO GOVERNOR		
2/20	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 28 EFFECTIVE DATE: 10/01/87		

HB 99 INTRODUCED BY SALES
ALLOW RESORT COMMUNITY TO ISSUE BONDS AND PLEDGE
RESORT TAX FOR REPAYMENT

1/07	INTRODUCED		
1/07	REFERRED TO STATE ADMINISTRATION		
1/08	REREFERRED TO LOCAL GOVERNMENT		
1/16	HEARING		
1/21	COMMITTEE REPORT--BILL PASSED AS AMENDED		
1/23	2ND READING PASSED	94	1
1/24	3RD READING PASSED	90	3

HOUSE FINAL STATUS

	TRANSMITTED TO SENATE	
1/26	REFERRED TO LOCAL GOVERNMENT	
2/05	HEARING	
2/06	COMMITTEE REPORT--BILL CONCURRED	
2/10	2ND READING CONCURRED	50 0
2/12	3RD READING CONCURRED	49 1
	RETURNED TO HOUSE	
2/19	SIGNED BY SPEAKER	
2/20	SIGNED BY PRESIDENT	
2/20	TRANSMITTED TO GOVERNOR	
2/25	SIGNED BY GOVERNOR	
	CHAPTER NUMBER 40 EFFECTIVE DATE: 2/25/87	
HB 100	INTRODUCED BY SALES	
	REQUIRING CERTAIN PUBLIC OFFICIALS AND EMPLOYEES TO	
	BECOME MEMBERS OF PUBLIC EMPLOYEES	
	RETIREMENT SYSTEM	
	1/07 INTRODUCED	
	1/07 REFERRED TO STATE ADMINISTRATION	
	1/08 FISCAL NOTE REQUESTED	
	1/13 HEARING	
	1/14 FISCAL NOTE RECEIVED	
	1/23 TABLED IN COMMITTEE	
HB 101	INTRODUCED BY SIMON, ET AL.	
	DESIGNATE ENGLISH AS OFFICIAL STATE LANGUAGE	
	1/07 INTRODUCED	
	1/07 REFERRED TO STATE ADMINISTRATION	
	1/13 HEARING	
	1/14 COMMITTEE REPORT--BILL PASSED AS AMENDED	
	1/19 2ND READING PASSED	52 47
	1/20 3RD READING FAILED	48 51
HB 102	INTRODUCED BY GRADY, ET AL.	
	WEED CONTROL FEE ON MOTOR VEHICLES	
	1/08 INTRODUCED	
	1/08 REFERRED TO TAXATION	
	1/08 FISCAL NOTE REQUESTED	
	1/13 HEARING	
	1/16 FISCAL NOTE RECEIVED	
	2/06 COMMITTEE REPORT--BILL PASSED AS AMENDED	
	2/09 2ND READING PASSED	67 32
	2/10 3RD READING PASSED	69 23
	TRANSMITTED TO SENATE	
	2/11 REFERRED TO TAXATION	
	2/16 FISCAL NOTE REQUESTED	
	2/21 FISCAL NOTE RECEIVED	
	3/18 HEARING	
	3/27 COMMITTEE REPORT--BILL CONCURRED AS AMENDED	
	3/30 2ND READING CONCURRED	50 0
	3/30 3RD READING CONCURRED	45 5
	RETURNED TO HOUSE WITH AMENDMENTS	
	4/07 2ND READING AMENDMENTS CONCURRED	54 1
	4/08 3RD READING AMENDMENTS NOT CONCURRED	44 5
	4/08 CONFERENCE COMMITTEE APPOINTED	
	4/16 CONFERENCE COMMITTEE REPORT	

HOUSE BILL NO. 99
INTRODUCED BY SALES

IN THE HOUSE

JANUARY 7, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
JANUARY 8, 1987	REREFERRED TO COMMITTEE ON LOCAL GOVERNMENT.
JANUARY 21, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 22, 1987	PRINTING REPORT.
JANUARY 23, 1987	SECOND READING, DO PASS.
JANUARY 24, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED.
	TRANSMITTED TO SENATE.

IN THE SENATE

JANUARY 26, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON LOCAL GOVERNMENT.
FEBRUARY 6, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
FEBRUARY 10, 1987	SECOND READING, CONCURRED IN.
FEBRUARY 12, 1987	THIRD READING, CONCURRED IN. AYES, 49; NOES, 1.
	RETURNED TO HOUSE.

IN THE HOUSE

FEBRUARY 17, 1987	RECEIVED FROM SENATE.
	SENT TO ENROLLING.

1 HB BILL NO. 99
 2 INTRODUCED BY SALES
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING RESORT
 5 COMMUNITIES TO ISSUE BONDS TO FUND CERTAIN PUBLIC
 6 FACILITIES; ALLOWING THE PLEDGE OF RESORT COMMUNITY TAX
 7 REVENUES AND OTHER REVENUES TO REPAY THE BONDS; AMENDING
 8 SECTION 7-6-4466, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
 9 DATE AND A RETROACTIVE APPLICABILITY DATE."
 10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 7-6-4466, MCA, is amended to read:
 13 "7-6-4466. Use of resort community tax revenues --
 14 bond issue -- pledge. (1) Unless otherwise restricted by the
 15 voter-approved tax authorization provided for in 7-6-4464, a
 16 resort community may appropriate and expend revenues derived
 17 from a resort tax for any activity, undertaking, or
 18 administrative service that the municipality is authorized
 19 by law to perform, including costs resulting from the
 20 imposition of the tax.
 21 (2) A resort community may issue bonds to provide,
 22 install, or construct any of the public facilities,
 23 improvements, or undertakings authorized under 7-7-4101,
 24 7-7-4404, and 7-12-4102. Bonds issued under this section
 25 must be authorized by a resolution of the governing body,

1 stating the terms, conditions, and covenants of the
 2 municipality as the governing body considers appropriate.
 3 The bonds may be sold at a discount at a public or private
 4 sale.

5 (3) A resort community may pledge for repayment of
 6 bonds issued under this section the revenues derived from a
 7 resort tax, special assessments levied for and revenues
 8 collected from the facilities, improvements, or undertakings
 9 for which the bonds are issued, and any other source of
 10 revenue authorized by the legislature to be imposed or
 11 collected by the resort community. Such bonds do not
 12 constitute debt for purposes of any statutory debt
 13 limitation, provided that in the resolution authorizing the
 14 issuance of the bonds the municipality determines that the
 15 resort tax revenues, special assessments levied for and
 16 revenues from such facilities, improvements or undertakings,
 17 or other sources of revenue, if any, pledged to the payment
 18 of the bonds will be sufficient in each year to pay the
 19 principal thereof and interest thereon when due."

20 NEW SECTION. Section 2. Extension of authority. Any
 21 existing authority of the department of revenue to make
 22 rules on the subject of the provisions of this act is
 23 extended to the provisions of this act.

24 NEW SECTION. Section 3. Effective date --
 25 applicability. (1) This act is effective on passage and

LC 0267/01

1 approval.

2 (2) This act applies retroactively, within the meaning
3 of 1-2-109, to taxable years beginning after December 31,
4 1986.

-End-

Rep. Grinde asked further if he could describe that process. Rep. Nelson stated it is covered in Sec. 7-3-121 through Sec. 161 which is listed on the back of the page he distributed with the titles describing all details. Rep. Grinde further asked if these people decide to petition for this review will the funding still be available. Rep. Nelson replied no.

Rep. Bulger asked as a point of clarification, as the law presently sits, matching several rather large expenditures by the cities and counties, is it correct to say that no city or town or county is required to have such a study commission unless the members of that entity rule to have such a commission? Rep. Nelson replied yes to that question.

CONSIDERATION OF HOUSE BILL NO. 125: Chairman Wallin stated the committee would now consider HB 125 which is tied in with HB 124. The Chairman asked Rep. Nelson to present HB 125 as for the record they have to be separated. Rep. Nelson, House District #6, Kalispell, sponsor of the bill, stated HB 125 is the repealer that would go into effect if the constitutional amendment were approved.

PROPOSERS: There were none.

OPPOSERS: Tom Payne of Missoula voiced his opposition to HB 124 and HB 125. He had served on the study commission in 1974-1977 and felt the review process should be retained.

There were no further proposers or opposers. Rep. Nelson closed.

DISPOSITION OF HOUSE BILL NO. 124: Rep. Gould moved that HB 124 DO PASS. Rep. Sales seconded the motion. Rep. Whalen made a substitute motion that it DO NOT PASS. The motion FAILED. Rep. Kitselman moved to REVERSE MOTION. Motion CARRIED.

DISPOSITION OF HOUSE BILL NO. 125: Rep. Gould moved that HB 125 DO PASS. The motion CARRIED.

CONSIDERATION OF HOUSE BILL NO. 99: Rep. Sales, House District 76, sponsor of the bill, explained the reason for wanting to free the funds received from the resort tax for bonding purposes and there are a number of important concerns which need to be taken care of, such as the water system being a serious problem, the streets and the sewer system.

They have found a water supply 10-12 miles out of town, and this will be quite a project. They have formed their own citizens committee to administer the details. He asked Cal Dunbar of West Yellowstone to give the details to the hearing. Mr. Dunbar explained they went back to HB 826 of the 1985 Session; this is a retail sales tax for resort communities above 2500, who by local option voted this tax; it is for 3%. The bonds would be paid over 20 years; make monthly remittance; they have a 5% withholding rebate for the collecting business - property tax relief of 5%; in a year or two any uncollected funds through HB 826 are automatically allocated to property tax relief in the next 20 years. They have to be very careful how they allocate the funds. A detailed list of taxable items was read by Mr. Dunbar to the committee. (Exhibit 1).

He further stated that the local committee had a review and in several instances they had forgotten some things; they reconvened the committee and put an amendment on their ordinance to add certain taxable goods and moved ahead. They have collected about \$505,000 and they have around \$8,000 that is accrued interest so they are sitting on about \$513,000. This tax has been overwhelmingly popular and the people are just sitting up there waiting to see us start working on the streets. They have already hired engineers, they have engineering studies. They have a water project because the water project was city water which they need and that is going to give them a reduced fire rate of 10 for a commercial, 9 for residential. This is going to greatly help them when that water comes in and they have to do that first because they have to completely rebuild the streets and the sub-structure up.

This means they have a storm sewer project which is a part of the street project. They have to repair the streets that are mostly chuck holes now. And so you are talking about 6 million dollars. They have \$500,000 from year one coming in; they have collected about \$86,000 in a brief period before this fiscal year - they had a carry-over so they have this money to do this job that the people expect them to do, (because they were told they were going to use this money for this purpose) they have to have a bonding authority and when HB 826 was written it did not give them any bonding authority. They can only do as much as HB 826 permits them to do; therefore, we need to give them this bonding authority in order for them to proceed in the way the people expect to utilize this money. Just collecting the money isn't going to do the job - they have to be able to leverage this revenue stream into a bonding program so they can go ahead; they are already quite far along on this with the money they did have available in the hopes they could make this thing work.

Bill Howell will give you some more figures on exactly what they are talking about with respect to money.

BILL HOWELL: Mr. Howell, a city council member, stated they were provided last legislative session with a source of funds and all they want to be able to do now is to get the job done in West Yellowstone. They have three basic projects that the citizens in West Yellowstone want them to accomplish: as Cal mentioned to you, one is their city water system and fire protection; currently they have no fire hydrants in their town with the exception of one that comes off an old water tower that was established there a number of years ago. They have no city water in West - about every business there is on a well system and the volume of water that is used in that community is quite extensive. They have located a source of water 4 miles from town. The water project is going to cost 1.6 million dollars according to their engineering studies. They also need to have a street project and a storm sewer system to go along with that. That project is also going to be 1.6 million, and in addition to that a complete rehab of all the streets in West Yellowstone will be 2.7 million dollars. So for a total of 3 projects, they are looking at 6.2 million dollars. Now obviously, they can take the money they are collecting and do it a block at a time for 20 years and never have anything that is done, or looks decent; or it can be done all in one shot, and that is what they are going to try and do.

The reason for being here for HB 99 is to ask the support of this committee to allow them the bonding authority to use those funds for that purpose to leverage annual collections so they can get into their project. Right now the time schedule is this: they anticipate in June tearing up West Yellowstone and putting in a water system and fire hydrant system, and at the same time, putting in a storm sewer system. The following June they anticipate starting the street project and the engineers say it may be possible to get it all done at once and possibly it may take the third summer in order to get the final streets finished. They are most appreciative of what you did for them and are asking to be able to use the money as best they can with our long-range goal past the twenty-year tax collection period. It is going to take them about 20 years to pay it off, pledging almost all their revenues from the resort tax with the exception of those things mandated by the legislature, property tax relief. They are asking support for HB 99.

OTHER PROPONENTS: Gordon Morris, Executive Director of MACO stated the Montana Association of Counties supported this bill.

Rep. Robert Hoffman voiced his support of these two bills and was favorably impressed at what has happened to date.

Mrs. Mae Ellingson, Bond counsel, discussed information concerning the nature of the bonds being requested under this bill. What is being asked for is essentially a revenue type bond. These would not be general obligation bonds of the town of West Yellowstone, but they would be bonds that would be payable solely from the resort tax or any other revenues that this legislature authorized them to pay. They are essentially very much like a water and sewer revenue bond, that is, currently cities and towns are authorized to construct and do sewer systems and water systems by borrowing money and pledging for the repayment of those bonds - - sewer charges and water charges; this would be a similar type bond, similar to a parking revenue bond where you are pledging payment for a parking facility that is being constructed. She wanted to clarify that so they would understand the nature of the bonding proposed. A question had arisen a little bit earlier as to the marketability of these bonds. You should know that the town of West Yellowstone is working with some underwriters who are willing to purchase these bonds if you give them the authorization to proceed.

The exact underwriting standards for the marketing of the bonds hasn't been determined at this point. Cal mentioned they had collected about \$500,000 with resort tax this previous year; the underwriters will probably not allow them to bond to that full capacity because of the uncertainty over tax collections in the future so they may allow them to only issue bonds that could be serviced say by \$400,000 a year just in case there is a shortfall from year to year. All of those things will be considered in the underwriting process of the bonds.

OPPONENTS: There were none.

QUESTIONS (OR DISCUSSION) ON HOUSE BILL NO. 99: Rep. Pistoria asked Rep. Sales if the bill passed so they can sell bonds - have they got money now in the till accumulated. Rep. Sales said they had a good portion of that \$500,000 now. Rep. Pistoria asked when they passed the ordinance do they tax

everything to derive their revenue from or is it just a bed tax? Rep. Sales stated that Cal had pretty much identified that through the list but he will have him list the things that aren't taxed as it would be easier.

Mr. Dunbar stated that in order to make it easier for the businesses to operate they had prepared these (lists) for the individual merchants. It says the 3% tax applies on all items except these specific examples and there are 18 of them. (Exhibit 2). He then read all the 18 items to the committee which were not taxed. He further stated that this was open; they have a committee of citizens meet and if anyone has a concern who is in business they discuss the item and make the decision. This bill would not work if the people weren't in favor of the resort tax, because you can't force something like this on local people. They vote on this and they voted for it. The reason they bought this thing is they want to get their streets fixed, they want to get their water situations squared away and they want a very big program for us to do for them and we can't do it with \$500,000 a year unless we can leverage this into long-term financing.

Rep. Ramirez had a question for the bond counsel - he recognizes the revenue bonds are not within the statutory debt limitation but this is kind of a hybrid - not strictly a revenue bond; what is the taxable valuation and what would the debt limit be for West Yellowstone and why do we have such a broad exemption here from the debt limit - he asked if she knew of any other statutory provision or other situation where there is a similar exemption so broad? Ms. Ellingson said the taxable evaluation is 16 million and it will be 1.6; the answer to the first question is that generally speaking in Montana we have always excluded revenue bonds from any calculation of debt. The Montana debt limitation for municipalities is based on property tax and the general obligation bonds are based on property tax because there has always been that correlation; she thought the committee felt very strongly about it. You may want to place some kind of limitation on the bond but she certainly would advise against doing it on taxable valuation because that's the problem of West Yellowstone. Initially, there's not enough taxable valuation there and that is why the general obligation route is unworkable.

As far as she knows, every kind of revenue bond that they do with the state of Montana is not included in the statutory debt limit. The same is true of special assessment bonds;

special assessment bonds may be more like general obligation bonds than is this particular tax bond and those are not included in statutory limitations.

Rep. Rameriz asked if anyone has any estimates of how much of this 6 million dollar project could be paid for under a more traditional revenue bond approach - in other words, how much (or special assessment) are their fees and assessments going to generate for this project? Or just for your water system? Ms. Ellingson stated that when they reviewed this initially to determine whether or not it could be financed under existing law, what could be financed under general obligation bonds and what could be financed under special assessments, and it was both a practical consideration and political consideration that property owners in West Yellowstone were by special assessments getting the resort tax and it would be defeated if they had to turn around and put in the improvements by special assessments against the property tax owners.

Rep. Rameriz then asked if they don't intend to use any special assessments still you would intend to charge for your water system, that's the only part of this which you could actually have any revenue from; he was just wondering how it would break out then as far as how much you could do with that GO bonds, how much you could do with revenue bonds financed by the water system and how much would you have to have over and above that then, to be paid for by your resort tax?

To follow up on that - he is saying it shouldn't be a wide open authorization with no limit and thinks we could devise a limit that would meet their needs and afford some protection where it needs to be afforded.

Ms. Ellingson said again, they have recognized the whole financing but it is impossible to finance all of the improvements that need to be financed from the proceeds of the resort tax; there simply is not enough there. What they are currently proposing to do would be to finance the improvements to the water system through a traditional water revenue bond that perhaps will be sold to the department of natural resources under the water development program so we know what we've got to pay for that. They have applied for a grant to pay for the storm sewer, so what they are really thinking is what they are going to finance through the resort tax bond issue would be the improvements to the streets and perhaps sidewalks.

In some ways the resort tax, the amount of bonds that you can issue is really determined by the amount of collections. It is just like with revenue - the pure revenue bond issue for the water system you can issue as many bonds as you need to put in the water system or the sewer system as long as you can show that you've got adequate revenues to retire the debt.

Rep. Pistoria stated that Rep. Ramirez brought up a very good point on the amount of revenue - there's no caps. In other words, in this bill you can raise as much money as you want to, you have a free hand, isn't that right? Chairman Wallin said, no, 3%. Rep. Pistoria stated it could build up to - it doesn't say in the bill the amount whether it would be seven million or ten million etc.

Rep. Sales said the only thing is they want to do this project now, for the people for the next 20 years or longer and they can't do any more than they can finance in that period. So they are limited by what they can actually finance in that period. They cannot exceed that. How much is the rebate on the property tax - is it 5% - that goes under B, property tax relief, and any unbudgeted funds; you can't put them in the general fund, so if you don't budget right, the property tax payer would win.

Rep. Brandewie asked for anybody who could answer, what he was concerned about is that if the stream of income from the sales tax should dry up and you know, nobody can anticipate that, would this all fall back on the property taxpayer or is it the bonding company that is in trouble? Ms. Ellingson said this clearly would not be an obligation of the property tax payers in West Yellowstone. The bond will clearly say on its face that it is payable from the revenues pledged which will be the resort tax revenues. And in that instance, the obligation would fall on the owners of the bond and of course that is why the underwriters are looking at how much they collected this year, whether it is reasonable to anticipate to collect one-half a million dollars next year and that they would probably not let them bond up to the full one-half million dollars, but it will not ever become a general obligation of the town of West Yellowstone.

Rep. Wallin directed a question to Rep. Sales, that there were 3 bills heard this morning in taxation that have to do with bed tax, room tax, and if they go through, that would be in addition to this tax - and he thought that should be clarified.

Rep. Ramirez directed a question to bond counsel: Let's say that your revenues were insufficient for the bonds under the present tax structure; there are a lot of exemptions in there that he assumes are up to the people of the community. So they could increase the revenue stream by eliminating some of the exemptions. Would they be required to do that? Ms. Ellingson stated they haven't gotten to this point in the financial covenant that they would ask the city to go back and take things out - or whether the underwriters will ask them to do that, that is certainly something that could be on the table that they would get the town to covenant to not only levy the 3% as authorized, but to levy it on all things that are authorized under the ordinance and under the resolution.

Rep. Ramirez further said if, as part of the security, and he assumes that if it were done this way, which is authorized - he recognizes that they are not going to do it this way in this particular bond issue, but they are authorized not only to use the resort fee but special assessments as well. So his question is the same - let's say that you had an issue that was part special assessment, part resort tax - generally, would you have the kind of provision in your bond agreement that the special assessment would have to be increased, for example, if the resort tax was insufficient?

Ms. Ellingson answered that they wouldn't be able to do that as a matter of law. She thought his illustration is a good one; it is likely that they may have to finance a portion of the sidewalk, for example, by using both resort tax revenues and special assessments. In order to do that they would have to create a special assessment district. They would have to notify the property owners in that district at the time it is created how much would be levied and assessed against them for their share of the sidewalks. Once that is done, they wouldn't be able to increase the assessments levied against the property in excess of what they were initially told. So again, the bond holder would take the risk.

Rep. Ramirez said in the bill on page 2, line 9, it says, "you can pledge resort tax revenue, special assessments and any other source of revenue authorized by the legislature to be imposed or collected by the resort community."

Local Government Committee
January 16, 1987
Page 11

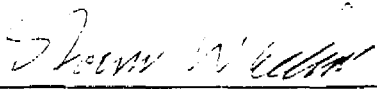
Does that turn it into a GO obligation? Would that include property taxes? Ms. Ellingson stated that is not the intent and certainly you need to clarify that. They would be more than happy to. They are concerned that you may authorize something else in this session and they wanted to make sure that if you did authorize additional sources that they could collect that they could pledge them, but it is not intended that they do general property tax so that would certainly be an acceptable clarification.

Chairman Wallin called for further questions from the committee. There were none.

Rep. Sales closed and thanked the committee.

Chairman Wallin stated the hearing on House Bill 99 was closed. There would be no executive action on House Bill 99 as the committee wished to get more information before doing so.

ADJOURNMENT: There being no further business to come before the committee, the hearing was adjourned at 2:50 p.m.



NORM WALLIN, Chairman

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

Recd - Sat - Sept. 13, 1986

September 12, 1986

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

Representative Paul Pistoria
2421 Central Avenue
Great Falls, MT 59401

Dear Representative Pistoria:

Based on your request, we are providing the enclosed schedule regarding which local government entities established review commissions and their actual levy amounts for fiscal years 1984-85 and 1985-86. Twenty-five counties and seventy-three cities and towns established local government review commissions.

The amounts levied may vary from amounts actually expended by the review commissions. The Montana State University Local Government Center is planning to review actual commission expenditures. When we receive a summary of their results, we will forward a copy of that information to you also.

If we can be of further assistance, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott Seacat".
Scott Seacat
Legislative Auditor

Enclosure

Rec'd - Lat - Sept 13, 1986 - Paul & Pistoria

TAX LEVIES FOR LOCAL GOVERNMENT REVIEW COMMISSIONS

Fiscal years 1984-85 and 1985-86

<u>Entity</u>	<u>1984-85</u> <u>Levy Amount</u>	<u>1985-86</u> <u>Levy Amount</u>	<u>Totals</u>
<u>COUNTIES</u>			
Beaverhead	\$ - 0 -	\$ - 0 -	\$ - 0 -
Big Horn	- 0 -	- 0 -	- 0 -
Blaine	34,312	1,772	36,084
Broadwater	- 0 -	- 0 -	- 0 -
Carbon	28,234	30,044	58,278
Cascade	89,426	91,644	181,070
Custer	18,275	9,273	27,548
Deer Lodge/Anaconda	- 0 -	- 0 -	- 0 -
Flathead	86,418	5,360	91,778
Gallatin	59,488	- 0 -	59,488
Glacier	45,787	48,825	94,612
Hill	44,462	- 0 -	44,462
Jefferson	15,387	- 0 -	15,387
Lincoln	33,311	21,876	55,187
Madison	- 0 -	16,026	16,026
Meagher	7,954	- 0 -	7,954
Park	18,361	4,543	22,904
Phillips	39,348	- 0 -	39,348
Pondera	25,177	- 0 -	25,177
Richland	11,219	10,163	21,382
Roosevelt	76,933	- 0 -	76,933
Rosebud	2,444	2,379	4,823
Sheridan	- 0 -	- 0 -	- 0 -
Silver Bow/Butte	- 0 -	- 0 -	- 0 -
Toole	15,849	5,339	21,188
COUNTY TOTALS	<u>652,385</u>	<u>247,244</u>	<u>899,629</u>

CITIES AND TOWNS

Bainville	- 0 -	- 0 -	- 0 -
Baker	4,164	4,244	8,408
Belgrade	2,449	2,540	4,989
Belt	385	378	763
Big Sandy	681	669	1,350
Boulder	715	708	1,423
Bozeman	21,182	18,211	39,393
Bridger	596	594	1,190
Brockton	- 0 -	- 0 -	- 0 -
Browning	- 0 -	- 0 -	- 0 -
Cascade	- 0 -	- 0 -	- 0 -
Chinook	1,229	1,255	2,484
Circle	827	850	1,677
Clyde Park	- 0 -	- 0 -	- 0 -

<u>Entity</u>	<u>1984-85 Levy Amount</u>	<u>1985-86 Levy Amount</u>	<u>Totals</u>
<u>CITIES AND TOWNS (continued)</u>			
Columbia Falls	3,413	- 0 -	3,413
Conrad	- 0 -	5,736	5,736
Culbertson	- 0 -	601	601
Cut Bank	- 0 -	- 0 -	- 0 -
Deer Lodge	2,940	2,570	5,510
Dillon	- 0 -	- 0 -	- 0 -
Dodson	- 0 -	- 0 -	- 0 -
Ekalaka	367	373	740
Ennis	- 0 -	- 0 -	- 0 -
Fairfield	617	- 0 -	617
Fairview	- 0 -	780	780
Forsyth	2,131	2,168	4,299
Fromberg	299	300	599
Geraldine	248	260	508
Glendive	7,554	483	8,037
Great Falls	- 0 -	30,018	30,018
Hamilton	3,221	- 0 -	3,221
Harlowton	763	- 0 -	763
Hardin	- 0 -	2,128	2,128
Havre	8,202	8,825	17,027
Hingham	207	- 0 -	207
Hobson	- 0 -	- 0 -	- 0 -
Hysham	- 0 -	- 0 -	- 0 -
Kalispell	15,001	7,881	22,882
Kevin	- 0 -	- 0 -	- 0 -
Lavina	- 0 -	- 0 -	- 0 -
Lewistown	- 0 -	- 0 -	- 0 -
Libby	- 0 -	3,426	3,426
Livingston	5,243	2,993	8,236
Lodge Grass	201	202	403
Malta	2,560	3,958	6,518
Manhatttan	725	- 0 -	725
Medicine Lake	267	269	536
Melstone	330	320	650
Miles City	9,202	9,418	18,620
Plentywood	2,370	2,462	4,832
Plevna	- 0 -	- 0 -	- 0 -
Poplar	- 0 -	- 0 -	- 0 -
Red Lodge	2,219	2,439	4,658
Richey	- 0 -	- 0 -	- 0 -
Ronan	1,371	- 0 -	1,371
Roundup	1,573	1,551	3,124
Saco	197	- 0 -	197
Shelby	2,469	2,561	5,030
Sidney	6,242	6,315	12,557
Stevensville	977	- 0 -	977
Sunburst	- 0 -	- 0 -	- 0 -

<u>Entity</u>	<u>1984-85</u> <u>Levy Amount</u>	<u>1985-86</u> <u>Levy Amount</u>	<u>Totals</u>
<u>CITIES AND TOWNS (continued)</u>			
Superior	785	824	1,609
Three Forks	945	- 0 -	945
Townsend	- 0 -	- 0 -	- 0 -
Valier	- 0 -	- 0 -	- 0 -
Walkerville	- 0 -	- 0 -	- 0 -
West Yellowstone	- 0 -	- 0 -	- 0 -
Westby	- 0 -	206	206
White Sulphur Springs	- 0 -	- 0 -	- 0 -
Whitefish	- 0 -	- 0 -	- 0 -
Whitehall	- 0 -	- 0 -	- 0 -
Wibaux	617	903	1,520
Wolf Point	- 0 -	- 0 -	- 0 -
CITIES AND TOWNS TOTALS	<u>115,484</u>	<u>129,419</u>	<u>244,903</u>
OVERALL TOTALS	\$767,869 =====	\$376,663 =====	\$1,144,532 =====

MUNICIPALITIES

73 of 126 incorporated entities had review commissions

24 of the 73 made recommendations

15 of the 23 passed

4 of the 14 adopted new forms

(Great Falls incorporated its manager into a new charter and Miles City, Belgrade and Livingston adopted new manager forms)

Total cost: \$92,314 (figures for 6 small towns are still missing, but rounding up to \$100,000 would be about right)

Average cost: \$1,370

Of the 73 review commissions:

9 committees spent nothing

49 spent less than \$1,000

70 spent less than \$5,000

72 spent less than \$10,000

The big spenders were Great Falls (\$29,808) and Kalispell (\$8,765)

COUNTIES

25 of 56 counties had review commissions

13 of the 25 made some form of recommendation

2 of 13 passed - Park and Custer

(both continued the commission form but reduced terms of commissioner from 6 to 4 years)

Total cost: \$250,000

(This is an estimate since actual figures for both Meagher and Silver Bow are still missing - but it surely is a pretty close figure)

Average cost is \$10,000

Four counties (Big Horn, Carbon, Cascade and Flathead) accounted for \$153,000 of the total, or 61% of the total)

Big Horn spent \$51,000 and most of this was for attorney fees for the litigation in federal court over apportionment of the commission districts

Of the 25 review commissions:

7 counties spent less than \$1,000

18 spent less than \$10,000

21 spent less than \$20,000

TOWN OF WEST YELLOWSTONE

Box 579
West Yellowstone, Montana 59758
Telephone: (406) 646-7795

To: ALL BUSINESSES

RESORT TAX UPDATE

On November 5, 1985, the general electorate of West Yellowstone adopted a 3% resort tax to be collected by all businesses in the Town of West Yellowstone commencing January 4, 1986. Ordinances No. 112, 113, and 117 outline, enact, and amend the resort tax.

Tax remittance forms and tax charts may be obtained from the Town Office, 124 Yellowstone Avenue. All tax money is due monthly and should be remitted by the 10th of the month following. It may be mailed in or brought in personally to the Town Office. Penalties and interest will accrue for late remittances.

The 3% tax applies on all items except these specific exemptions:

- 1) Food purchased unprepared or unserved.
- 2) Utilities and utility services.
- 3) Medical supply services and medicine.
- 4) Wholesale merchandise for resale at retail or used in the purchaser's business as supplies.
- 5) Gasoline and other motor vehicle fuel.
- 6) Propane and similar home fuels.
- 7) Liquor sold at state liquor stores.
- 8) Automobiles, trucks, snowmobiles, motorcycles, all-terrain vehicles, boats, outboard motors, and chain saws.
- 9) Labor on the above items in no. 8.
- 10) All non-recreational labor, services, and non-recreational state licensed professions and trades.
- 11) All payroll and business and labor costs.
- 12) Lumber, building supplies, and tools.
- 13) Household appliances.
- 14) Bicycle sales and service.
- 15) Lodging facilities occupied for a period longer than 30 days.
- 16) Sales of goods from catalogs paid for from outside the boundaries of the Town.
- 17) Newspapers.
- 18) Fishing and hunting licenses.

PLEASE NOTE: The food stamp regulations have been accepted as criteria as definition of food purchased unprepared or unserved.

Food prepared and served by businesses for consumption off premises IS TAXABLE. i.e. To-Go Orders. To-Go Orders include all restaurant foods as well as microwaved foods prepared on premises for consumption there or elsewhere.

PLEASE DIRECT ANY FURTHER QUESTIONS OR INQUIRIES TO THE TOWN OFFICE, telephone: 646-7795.

REMINDER:

BUSINESS LICENSES ARE DUE THE 1st. OF JUNE. LICENSES ARE DELINQUENT THE 1st. OF JULY AND THERE WILL BE A 10% PENALTY FOR ANYONE THAT HASN'T PURCHASED THEIR LICENSE BEFORE THIS DATE.

Your license fee will be

PLEASE CONTACT THE CITY CLERK AT THE CITY OFFICES OR PHONE 646-7795 FOR YOUR LICENSE INFORMATION.

VISITORS' REGISTER

LOCAL GOVERNMENT

COMMITTEE

BILL NO.

99

DATE _____

Q. 16-87

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Rep. Gilbert said Mr. Morris did not discuss whether the employee would pay all or part of the tax or if the employer would pay all or part of the payroll tax.

Mr. Morris said again he did not have specific recommendations as to either.

Rep. Brandewie asked if most of the income generated on the tax was in the town or city, how does the county come out? How would that income be distributed between city and county?

Mr. Morris stated that was the major problem. A careful look will have to be taken on that issue. The income tax proposal of the Governor did not indicate whether or not that income tax would be collected at the work place or residence. He stated he did not have the answer as to how local governments would come to grips with those questions only that other states have dealt with the problems and felt they are not insurmountable.

Mr. Hansen addressed the question from Rep. Brandewie by stating that there is a bill this session that would provide payroll tax. It provides for distribution. An example would be the City of Helena, where the tax would be collected at the place of employment and paid by the employee. People who live in town would pay the full amount and those out of town would pay half the rate. Kentucky has a unique system for payroll tax in that it is paid at the place of employment. Those living in town would get a credit on their property tax while those living out of town would not. He said this is a thinly disguised method for getting money into cities. Mr. Hansen thought the payroll tax was one reason why the legislature did not approve local option taxes last session. It would be a way for cities to tax people beyond the borders. He said he would be more than willing to delete payroll tax from the bill. He said there are other options that work better and are more needed. An example given was of West Yellowstone which collected \$1/2 million with a resort tax last year. The total cost of administration was for a clerk working half time on salary of \$10,000 or less. Mr. Hansen stated that local option taxes will work.

Chairman Wallin closed the discussion and thanked Mr. Gordon and Mr. Hansen for coming in.

DISPOSITION OF HOUSE BILL 99: Rep. Sales reviewed for the committee what is happening up in West Yellowstone with the resort tax. West Yellowstone has sold in sales and services close to \$17 million. They have raised \$1/2 million

on a 3 percent tax imposed on limited sales and services. Five percent of that (\$25,000) goes to establishments for administering the sales tax; another 5 percent goes for property tax relief. The community wants to put the money into badly needed improvements.

Rep. Hansen moved to DO PASS HB 99.

For the projects in West Yellowstone, they are talking of approximately \$6 million in bonding. Rep. Sales said that is more than the resort tax will take care of. There is \$1.6 million that they want to put into a water system that will be paid back by the users. This will require some pretty high rates. They want to put \$1/2 million into sidewalks but anticipate doing that by regular assessments which seems agreeable in the community. The rest will go for the storm sewer and street improvements and with these it will be approximately \$4 million. West Yellowstone is talking of 20 year bonds with 7 1/2 percent interest.

The underwriting limits placed on this project are being cooperated through Merrill Lynch and D. A. Davidson (DAD). The limits are 1.25 percent which is approximately \$400,000 available for principal interest on these bonds over a 20-year period.

Rep. Ramirez questioned leaving the limits to the underwriters or the bond buyers. He felt there should be limits placed in the law to tie it down. He stated he did not want to interfere with West Yellowstone's plans because he felt they were worthwhile projects. He said it would not be harmful but beneficial to put the limitation into the statute. People might not be as prudent as the legislature might want. The bond issue itself would provide for 125 percent limitation. In the absence of anything else, Rep. Ramirez said that could be put into the bill as a starting point for the limit. Experience might show this is not an adequate limit but it would be a starting point.

Rep. Ramirez moved to AMEND HB 99 by inserting on line 18, page 2, following the word "be", strike "sufficient" and insert "at least 125 percent of amount needed".

Rep. Sales said before discussion as to the merits of amending the bill or not he would ask Creg Jones of DAD to explain what this might do and also what type of amendment he might prefer.

Creg Jones, representing DAD, said in order to understand the issue, the type of law being dealt with needed to be defined. He agreed with all statements made thus far and felt Rep. Ramirez was correct in that limitations do need to be looked at carefully in regards to local government issuing debt. Mr. Jones stated there are different limitations placed on different types of municipal bonds. General obligation bonds have a limitation of 28 percent even though they are voted upon by the electorate of a taxing jurisdiction.

The bonds being discussed are not paid or secured by property valuation or pledge of credit in the community for their taxing power. It comes under a broad categorization of revenue bonds paid by a singular source of revenue, in this case the resort tax of West Yellowstone. He thought the concerns were because of considering legislation to govern not only West Yellowstone's resort tax but those able to assess a tax at a later time.

The reasoning with the bonds are the improvements which are deeply warranted by the municipality since the passage of the resolution enables them to issue the bonds. Mr. Jones said this is fairly loose with respect to most types of revenue bonds. This type of obligation would have greater limitations in that it is already limited to the 3 percent tax on goods and services defined in the Montana statute. This limits the amount of revenue which they can make available for payment on the bonds. He said the way legislation exists now it can be construed to be more conservative than are other statutes governing basic revenue bonds that municipalities currently are empowered to issue.

West Yellowstone currently is issuing bonds with a 125 percent rating. This means their net revenues have to equal 125 percent of the debt service that is paid annually. If the debt service is \$400,000 annually, they must collect at least \$500,000 in taxes, leaving a buffer for noncollection of taxes or other things that might come about.

Mr. Jones could not say if other municipalities issue bonds that would be the appropriate covenant for them to have. Most revenue bonds do bear the 1.25 recovery factor. Montana is lagging the national market a bit. Certain revenue bonds issued in larger municipalities are now being issued on a 1.1 to 1.15 factor. Mr. Jones stated they would not want to bond more aggressively in the available revenues. At

least for the first time, they could be more conservative than the 1.25. West Yellowstone does have the benefit of a year of collections to demonstrate to the market place that the tax can produce sufficient revenue necessary to repay the obligations. He believed the statute in itself would place reasonable limitations on the ability to meet the obligations and felt it sufficient in its existing form. If the committee does feel it necessary to amend the legislation as suggested by Rep. Ramirez, Mr. Jones proposed an amendment for HB 99 (Exhibit 2).

Rep. Sales commented that Mr. Lewis Robinson, a businessman from West Yellowstone was present to answer questions.

Rep. Brandewie stated that with the local option taxes there is nothing to say this session or the next cannot change the resort tax. There is no guarantee that the bill will stay. He felt if somehow revenues brought in from the tax were lost it would leave West Yellowstone in a real bind. Rep. Brandewie wanted this to be considered.

Rep. Sales understood and stated it was a real concern of the communities on the local option taxes. He felt that the resort tax should stand alone and hoped it would get through the session.

Rep. Ramirez WITHDREW his motion to AMEND HB 99.

Rep. Ramirez asked Mr. Jones what would happen if there was a more aggressive interest rate and the sales tax revenue goes down. If a city cannot meet their obligations or there is a default on the bonds, what are the short-term and long-term consequences?

Mr. Jones responded there is a correlation between the covenants in a bond transaction and the interest rates the bonds will bear. In terms of getting more aggressive with the rate covenant, at this time they cannot issue additional bonds or secure bonds beyond this point to make payment. Presumably a careful analysis would have to be done and more aggressive posture adopted if there were historical revenues, figures available from the municipality showing a healthy trend and resiliency in down times to generate those revenues. Currently, Mr. Jones said the 1.25 would be as aggressive as they would be willing to go on a bond of this nature.

If sales taxes or the resort taxes were down in a certain year and could not generate sufficient funds to make payments on bonds, a debt service reserve fund would be set up. The reserve fund is funded immediately from bond proceeds and used solely for the purpose of making payment on the bonds in the event an insufficiency occurs. The cost of the reserve fund is not much since it is available for reinvestments and Mr. Jones believed it helped lower the interest rate. He said assuming that revenues were insufficient, the extent of 10 percent in that reserve fund would last ten years before being completely depleted.

Rep. Ramirez questioned what would happen if revenues were down 25 to 35 percent and the reserve fund was inadequate?

Mr. Jones stated he could not answer that question. He said they were thankful they did not have that experience in Montana as far as defaults. He said short-term effects would be that the municipality would have a difficult time issuing debt, more than likely, for all types of bonds but in particular that type of bond. It would impact the credit rating for some period of time. He did not know how long.

Rep. Hansen asked if the 125 percent was not put in the bill then when the bonds were issued wouldn't DAD put a limit on them and if by putting the limit into the statutes are other communities being limited from that kind of bonding capacity?

Mr. Jones said they would not be limited. He said that discussions to date involve a rate covenant of 125 percent and at least currently then that would not impact West Yellowstone's ability at all to issue these bonds. He said it is difficult to see down the road what other municipalities would require. Currently, no one else is coming into the market to impact these bonds.

Rep. Ramirez moved to AMEND HB 99 with the proposed amendment from Mr. Jones (Exhibit 2). Rep. Pistoria seconded the motion.

Rep. Ramirez spoke to the amendment. He stated it was a 125 percent amendment and takes into account the amount required to reduce property tax pursuant to 7-6-4467. He said it was a matter of personal philosophy and there is great incentive to bond to the maximum. There have not been any municipal defaults except the Columbia Falls

situation. The bonds for West Yellowstone are not typical types of revenue bonds. Revenue bonds have a source of nontax revenue. He said West Yellowstone has had one year's experience in this and maybe the tourism base will be strong. He thought it prudent for the legislature to be conservative in its approach to indebtedness for local governments. If the limitations proved to be too restrictive they could be changed.

Rep. Wallin asked Mr. Robinson with the bonds being for 20 years if there was enough money available under this limitation of time and with the size of the payments to be made could it be done in 20 years?

Mr. Robinson responded yes and it was quite possible that if revenues increased and they wanted to prepay that it could be paid off sooner. If the tax collections went up to \$750,000 over a period of years that amount could be used to prepay the bonds.

Rep. Wallin asked if the payments would be \$400,000 a year?

Mr. Robinson responded yes. The current income as of Dec. 31 was \$505,000 and the 125 percent covenant is approximately \$401,250 which would be applied to the bonds. He added they have a historical record through bank records of the past 15 years that indicate a fairly level increase of about 2 percent per year as to what revenues would have been if the 3 percent tax was enacted on the currently taxed items for that period of time.

Rep. Wallin commented that they would bond on the resort tax income but they would also have a program for a water system through user fees. He asked how much would be asked in the amount of bonds they would sell?

Mr. Robinson replied approximately \$4 million of the bond amount that DAD and Merrill Lynch would sell and approximately \$1 1/2 million of user revenue from the water. He said they did not have a central water in West Yellowstone and wanted to put it in ahead of doing \$3 million worth of streets.

Rep. Sales stated he was in support of the amendment because of the reasonable limits contained.

The question was called. Rep. Hansen's motion to DO PASS HB 99 AS AMENDED passed with Rep. Pistoria voting no.

Amendment for H.B. 99

Amend H.B. 99 by adding the following sentence at the end of Section 1(3). Bonds shall not be issued pledging the resort tax unless the municipality in the resolution authorizing issuance of the bonds determines that the annual revenues expected to be derived from the resort tax, less the amount required to reduce property taxes pursuant to 7-6-4467 MCA, equal at least 125% of the average amount of principal and interest payable from the resort tax revenues on the bonds and any other outstanding bonds payable therefrom (excluding, however, any bonds to be refunded upon the issuance of the proposed bonds) in any fiscal year.

STANDING COMMITTEE REPORT

January 21

19 87

Mr. Speaker: Worth Committee on **LOCAL GOVERNMENT**

report **SENSE BILL 99**

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

REP. NORM WALLIN

Chairman

1. Page 2, line 19.

Following: "due."

Insert: "Bonds may not be issued pledging proceeds of the resort tax for repayment unless the municipality in the resolution authorizing issuance of the bonds determines that in any fiscal year the annual revenues expected to be derived from the resort tax, less the amount required to reduce property taxes pursuant to 7-6-4467, equals at least 125% of the average amount of the principal and interest payable from the resort tax revenues on the bonds, and any other outstanding bonds payable from the resort tax except any bonds to be refunded upon the issuance of the proposed bonds."

FIRST

WHITE

reading copy ()
color

Senator Crippen said he knew of a 90/10 project at the Billings airport for lengthening a runway and lining the runway for noise abatement. He asked if this bill would provide funding by non-FAA airports for this type of project. Rep. Brandewie said there is \$2.5 million available at the 10% match.

Rep. Brandewie closed the hearing on House Bill 159.

CONSIDERATION OF HOUSE BILL 99: Rep. Sales, West Yellowstone, District 76, said the bill clarified the way in which resort tax money can be used to fund capital improvement bonds. West Yellowstone is extremely happy with the way the resort tax is working and wants to make improvements. This bill will provide them a way to bond.

PROPOSERS: Cal Dunbar, West Yellowstone, distributed copies of House Bill 826 (See Exhibit 2) from the 49th Legislature which provided for the resort tax, and also a list showing resort tax collections for 1986. He said the residents want to improve their streets and water systems, install fire hydrants, and thus, hope to reduce their fire insurance costs.

Bill Howell, West Yellowstone, distributed Exhibit 3 entitled "West Yellowstone Project Costs". He mentioned the projects planned, as did Cal Dunbar, adding they also want storm sewers. Engineers have been selected, plans are being made, and a water supply 4 miles from town has been found. The people of West Yellowstone hope to have much of this done by this fall. This should drop the fire rating and insurance considerably. Without the ability to bond, the projects would take 10 or 15 years to complete. He stated we want to bond for \$6 million and get the project completed.

Craig Jones of D.A. Davidson, said his firm had been retained as financial consultant to the town of West Yellowstone for their infrastructure improvement program. The bonding will allow for much greater efficiency in financing and for orderly implementation of the program.

OPPOSERS: There were no opposers present.

QUESTIONS FROM THE COMMITTEE: Senator Beck asked how this bonding authority could be used by unincorporated towns such as encompassed by Senator Story's resort area bill. Rep. Sales said that some sort of bonding authority would have to be established. It could be a soil conservation district or some other kind of organization. Senator Walker felt the

term "expected revenues" was vague and wondered if there shouldn't be figures listed. Mr. Jones said that the problem will be handled by the marketplace itself. The marketplace would be skittish about issuing bonds without a historical revenue for 1½ to 2 years. A feasibility study would probably be required.

Chairman Crippen said if the proceeds were not sufficient, would your prospectus be required to assess an additional levy. Mr. Jones said under the resort tax, as it now exists, the city is not in a position to levy additional taxes. The bond will be payable solely from that tax. The bonds will be structured with a coverage covenant that will say the community must generate 25% over and above the payments on the bonds annually. A reserve fund will be set up, and if there should be an insufficiency, that could be made up by the reserve fund. The program will be conservative by nature.

Senator Pinsonneault asked if the merchant would collect his 5% before turning in the money from the tax, or is there a refund. Mr. Dunbar said the merchant deducts the money himself. The taxes are transmitted to the city with a "Resort Tax Transmittal Form" and the city conducts confidential audits to assure correct figures.

At present, West Yellowstone levies a 3% tax with 18 exemptions.

Senator Crippen asked what West Yellowstone would do if a statewide sales and use tax were implemented. Mr. Dunbar said they would continue with the resort tax floated on top of the sales tax. Tourists are used to paying this type of tax coming in from Wyoming and Idaho.

Senator Crippen then asked what the difference would be in revenue for West Yellowstone should the 1% share from a sales tax with fewer exemptions pass. Mr. Dunbar figured \$140,000. There is only one bank in West Yellowstone, and the figures were determined from the bank's figures.

Should a sales tax be imposed, Senator Crippen asked, is there any provision for the 1% going to the city to be used to reduce the bonds. Mr. Jones said yes, they had tried to envision that possibility. Since West Yellowstone has a historically stable economy, what type of interest rates would be used, asked Senator Crippen. Mr. Jones assumed they would be higher rates, and said a sales tax would assist in the sale of bonds as there would be a broader base.

Senator Eck asked what would be the procedure for changing tax collection. Mr. Dunbar said they have 2 ordinances - administrative and definitive. The administrative requires a general election and the definitive requires only council action.

Senator Eck asked if a hotel/motel tax were instituted state-wide, would you have to have an election in your community to adjust for that. Mr. Howell answered they would if they wanted to change the rate of taxation, but said they would use that type of tax as an add-on. Senator Eck said what if the taxes added up to 11%. Mr. Howell said they have an 11% hotel/motel tax right now.

Representative Sales closed the hearing on House Bill 99.

CONSIDERATION OF HOUSE BILL 312: Rep. S. J. Hansen, Missoula, District 57, said this bill would provide for staggering terms, starting in 1988, for the members of the 5-member County Board of Adjustment to insure consistency on the board.

PROPOSERS: Howard Schwartz, Missoula County Executive Officer, distributed and read Exhibit 4, advising why this is appropriate legislation, and urged the committee's support.

OPPOSERS: There were no opponents present.

QUESTIONS FROM THE COMMITTEE: Senator Harding asked what was the purpose of a Board of Adjustment. Mr. Schwartz said it is a five member board appointed by the Board of County Commissioners to 1) hear appeals from an administrative zoning decision or order and 2) hear and decide special exceptions and variances from zoning ordinances. It is a check in power to citizens as they can appeal to the Board of Adjustments if they are unhappy with the zoning commission. Any county that has zoning, has a Board of Adjustment.

Rep. Hansen closed the hearing on House Bill 312.

ACTION ON HOUSE BILL 312: Senator Eck moved that House Bill 312 BE CONCURRED IN. The motion PASSED UNANIMOUSLY. Rep. Hansen said Senator Jacobson would carry the bill in the Senate.

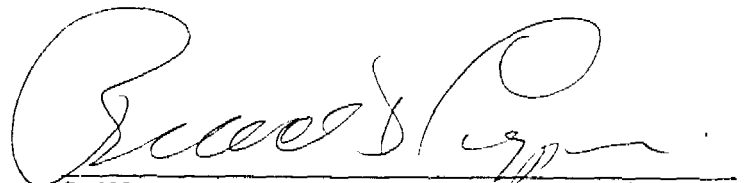
Senator Eck said it stated on the Fiscal Note that the use of the income is to retire the outstanding bond debt; however in another place, it states it can be used for other loans. Senator Crippen said if there are monies left over at the end of the program in FY 89, it would go back to reduce the remaining principle on the indebtedness.

ACTION ON HOUSE BILL 159: Senator Eck moved that House Bill 159 BE CONCURRED IN. The motion PASSED UNANIMOUSLY. Senator Eck was assigned to carry the bill.

DISCUSSION ON HOUSE BILL 99: Senator Beck asked if this bill could help a resort area. Karen Renne said no, not unless it was amended.

ACTION ON HOUSE BILL 99: Senator Eck moved that House Bill 99 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY. Senator Anderson may carry the bill.

The meeting adjourned at 2:50 p.m.



SENATOR BRUCE D. CRIPPEN, Chairman

ROLL CALL

SENATE LOCAL GOVERNMENT COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-05-87

NAME	PRESENT	ABSENT	EXCUSED
BRUCE CRIPPEN	X		
R. J. PINSONEAULT	X		
TOM BECK	X		
DOROTHY ECK	X		
H. "SWEDE" HAMMOND	X		
ETHEL HARDING	X		
LES HIRSCH	X		
PETER STORY	X		
ELEANOR VAUGHN	X		
MIKE WALKER	X		

Each day attach to minutes.

DATE: February 5, 1987

COMMITTEE ON Local Government

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

RESORT TAX COLLECTIONS

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Date Collections Began January 4, 1986

<u>Collection For</u> <u>Month</u>	<u>Received In</u>	<u>Monthly</u> <u>Total</u>	<u>TOTAL</u>
January 1986	February 1986	18,739.23	
February 1986	March 1986	41,897.55	60,636.78
March 1986	April 1986	16,787.87	77,424.65
April 1986	May 1986	5,260.55	82,685.20
May 1986	June 1986	22,731.05	105,416.25
June 1986	July 1986	64,170.71	169,586.96
July 1986	August 1986	113,551.68	283,138.64
August 1986	September 1986	112,777.91	395,916.55
September 1986	October 1986	58,861.90	454,778.45
October 1986	November 1986	16,208.58	470,987.03
November 1986	December 1986	8,865.38	479,852.41
December 1986	January 1987	23,360.10	502,212.51

WEST YELLOWSTONE

PROJECT COSTS

(No Administration or Financing Costs)

I. WATER SYSTEM

Construction Costs: C-900 Pipe	\$1,290,000	
Engineering Costs	<u>186,000</u>	
SUBTOTAL		\$1,476,000
Additional Optional Costs		
Ductile Iron Pipe	\$ 130,000	
Water Meters: 400 x 200	<u>80,000</u>	
SUBTOTAL		\$ 210,000
TOTAL HARD COSTS		\$1,686,000
GRANT FUNDS	\$ 350,000	

TOTAL REQUIRED LOCAL BONDING:

\$1,126,000 Plus Administration and Financing Costs

\$1,336,000 Plus Administration and Financing Costs

II. STORM SEWER

Construction Costs	\$1,440,000	
Engineering Costs	<u>176,000</u>	
SUBTOTAL		\$1,616,000
FUNDING SOURCES: Highway Department	\$ 48,000	

TOTAL REQUIRED LOCAL BONDING:

\$1,568,000 Plus Administration and Financing Costs

III. STREET IMPROVEMENTS

Construction Costs: Streets	\$1,840,000	
Sidewalks	580,000	
Engineering Costs	<u>319,000</u>	
SUBTOTAL		\$2,739,000

TOTAL REQUIRED LOCAL BONDING

\$2,159,000 Plus Administration and Financing Costs

\$2,739,000 Plus Administration and Financing Costs

STANDING COMMITTEE REPORT

FEBRUARY 5

67

19.....

MR. PRESIDENT

We, your committee on LOCAL GOVERNMENT

having had under consideration..... HOUSE BILL No. 99

THIRD reading copy (BLUE)
color

Sales (Anderson)
ALLOWS RESORT COMMUNITY TO ISSUE BONDS AND PLEDGE RESORT TAX FOR
REPAYMENT

Respectfully report as follows: That..... HOUSE BILL No. 99

BE CONCURRED IN

UNANIMOUSLY

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.....
SENATOR BRUCE D. CRIPPEN

Chairman.